



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Aaron Gornstein, Undersecretary

State Public Housing Authority Subsidy

Under c. 121B, sec. 32, the rent that LHAs can charge their tenants is strictly limited based on income and type of household (for seniors, 30% of income, or 25% if they pay for utilities; for families, 32% of income, or 30% if they pay for some utilities, and 27% if the family pays for all utilities). The statute also states that if this rental income is insufficient to cover the LHA's operating costs, the commonwealth will make up the difference.

A LHA's allowable operating budget is set by DHCD. The number of units the LHA has in each program (c.667 elderly, c. 200 family and c. 705 family) is multiplied by a fixed standard per-unit operating cost for each program established by DHCD. Some additional funding may be allowed for special local circumstances. If this total approved operating budget, including the actual cost of LHA-paid utilities, is less than the rental income paid by the LHA's tenants, then DHCD will make up the difference with state operating subsidy.

As noted in the Governor's 2008 Real Cost Study, DHCD aims to set the allowable operating budgets at an artificially low level that will not require more operating subsidy than is appropriated each year. Because of this funding limitation, LHA non-utility operating budgets are generally about 30-40% below those of other comparable affordable housing programs, such as federal public housing or programs in the MassHousing portfolio. This lack of adequate funding leads to a lesser standard of maintenance, which in turn leads to accelerated capital needs (for example, if staff isn't able to quickly fix a leaky roof, the repair eventually is much more expensive, with interior damage, structural rot, mold remediation, etc.)

Attachment C lists Local Housing Authorities by subsidy or surplus (those that do not receive subsidy). Please note, this list varies from year to year, as rental income and operating costs vary. However, if DHCD set LHA budgets at the real cost of operations – at a level comparable to other affordable housing programs - nearly all LHAs would require state operating subsidy, because the rents are only high enough to pay for realistic operating costs at a very few LHAs.